

## Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 /080 W  
-----042744 132043Z /73

R 131747Z JUN 78  
FM AMEMBASSY BUENOS AIRES  
TO SECSTATE WASHDC 6093  
USDOC WASHDC

LIMITED OFFICIAL USE SECTION 1 OF 2 BUENOS AIRES 4532

PASS EXIMBANK

E.O. 11652: N/A  
TAGS: BEXP, EFSE, AR  
SUBJECT: MAJOR PROJECT: EARLY WARNING YACIRETA-APIPE-  
PROJECT UPDATE

BEGIN UNCLASSIFIED

1. THIS CABLE IS INTENDED TO GIVE WASHINGTON END-  
USERS AND UPDATE OF THE STATUS OF THIS IMPORTANT  
PROJECT AT THIS CRITICAL JUNCTURE IN THE PRE-BID PHASE.

2. PROJECT CHARACTERISTICS: YACYRETA-APIPE IS  
EXPECTED TO COST APPROXIMATELY FOUR AND A HALF  
BILLION DOLLARS, INCLUDING FINANCING COSTS, BY THE  
TIME IT IS COMPLETED. IT IS TO PRODUCE 2,700MW OF  
POWER BY 1986, WHEN ITS FIRST TWENTY TURBINES SHOULD  
BE ON LINE. THE PROJECT, WHICH HAS JUST COMPLETED THE  
DESIGN STAGE, AFFORDS EXPORTERS OF US GOODS AND  
SERVICES APPROXIMATELY US\$ 800 WORTH OF SALES OPPORTUNITIES  
IN THE ELECTROMECHANICAL EQUIPMENT FIELD AND A CHANCE  
TO BID FOR A CIVIL WORKS CONTRACT WORTH US\$ 1 BILLION.

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THE CONSTRUCTION SUPERVISION CONTRACT IS WORTH  
CONSERVATIVELY US\$ 100 MILLION.

3. THE TURBINE GENERATOR CONTRACT IS WORTH AN ESTIMATED  
US\$ 250 MILLION. TWENTY KAPLAN-TYPE 135 MW TURBINES  
WILL BE PURCHASED INITIALLY. AN ADDITIONAL TEN WILL BE  
PURCHASED AT SOME FUTURE UNSPECIFIED DATE FOLLOWING

THE CONSTRUCTION OF THE COMPENSATING DAM AT ITA-IBATE.

4. TIMING OF BIDDING THE DOCUMENTATION FOR THE TURBO-GENERATOR CONTRACT IS COMPLETE. THE DOCUMENTATION NECESSARY TO PERMIT THE CALL FOR BIDS FOR THE CIVIL WORKS IS ALMOST COMPLETE. HARZA IS ABOUT TO PRESENT THE LATEST DESIGN CHANGES FOR THE DAM (DESIGN CHANGES REQUIRED BY A JOINT DECISION OF PARAGUAY AND ARGENTINA TO CHANGE THE TRACE OF THE DAM.) THERE IS STILL SOME DESIGN WORK TO BE COMPLETED ON THE FOUNDATION; THIS IS APPARENTLY LAGGING BECAUSE THE FIELD WORK IS BEHIND. EVERYTHING SHOULD BE IN FINAL FORM BY AUGUST, HOWEVER.

5. THE TIME TABLE NOW CALLS FOR THE CALL FOR BIDS FOR THE CIVIL WORKS TO BE ISSUED AT THE END OF 1978, THE AWARD TO BE MADE BY THE END OF 1979, WITH WORK TO BEGIN DURING THE FIRST QUARTER OF 1980.

6. AS FAR AS THE TURBO GENERATOR EQUIPMENT CONTRACT IS CONCERNED, EBY'S EXECUTIVE COMMITTEE, THE "COMITE EJECUTIVO", HAS RECOMMENDED TO THE BOARD OF DIRECTORS (CONSEJOS DE ADMINISTRACION) WHICH FIRMS SHOULD BE PREQUALIFIED. THIS LATTER BODY IS HOLDING UP THE ANNOUNCEMENTS, HOWEVER, ALLEGEDLY ON THE ADVICE OF THE IDB AND THE WORLD BANK, WHO, WE ARE TOLD, BELIEVE IT IS PREMATURE TO ANNOUNCE THIS INFORMATION BEFORE THE LIMITED OFFICIAL USE

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FINAL JOINT BANK MISSION HAS COMPLETED THE SURVEY IN JULY, THAT IS TO SAY BEFORE THERE IS REASONABLE CERTAINTY THAT THE BANK WILL IN FACT GIVE THE REQUISITE LOAN. THE BIDDING FOR THIS CONTRACT WILL FOLLOW QUITE CLOSELY THE SCHEDULE OUTLINED FOR THE CIVIL WORKS CONTRACT.

7. THE OTHER ELECTROMECHANICAL EQUIPMENT TO BE PURCHASED: SPILLWAY GATES, NAVIGATION LOCK EQUIPMENT, CRANES, POWER STATION ELECTRICAL EQUIPMENT, TRANSMISSION EQUIPMENT FOR CONNECTION OF POWER STATION AND TRANSFORMER STATION, TRANSFORMER STATION AND AUXILIARY ELECTRICAL EQUIPMENT AND TRANSMISSION SYSTEM EQUIPMENT IS LIKELY TO BE TENDERED ACCORDING TO THE SCHEDULE OUTLINED BELOW:  
SPILLWAY GATES - LATE 1978 (ALMOST SIMULTANEOUSLY WITH TURBINES AND GENERATORS)

NAVIGATION LOCK EQUIPMENT (GATES) - 1979

CRANES - 1980

POWER STATION ELECTRICAL EQUIPMENT - 1980

TRANSMISSION EQUIPMENT - 1980

TRANSORMER STATION AND  
AUXILIARY ELECTRICAL EQUIPMENT - 1981

TRANSMISSION SYSTEM EQUIPMENT - UNKNOWN

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PASS EXIMBANK

8. THE GOA'S AGUA Y ENERGIA ELECTRICA POWER  
UTILITY WILL BE RESPONSIBLE FOR YACYRETA'S  
TRANSMISSION SYSTEM PROJECT AND ITS LINK-UP WITH  
THE NATIONAL GRID. THE INTERAMERICAN DEVELOPMENT  
BANK AND THE WORLD BANK HAVE INSISTED THAT AT LEAST  
A PREFEASIBILITY STUDY ON THIS PHASE OF THE WORK BE  
ACCOMPLISHED BEFORE THEIR LOANS ARE FORMALLY APPROVED.  
WORK AT AGUA Y ENERGIA ELECTRICA ON THIS PROJECT HAS  
NOT YET PROGRESSED VERY FAR PENDING DECISIONS TO BE  
TAKEN ON THE CHARACTERISTICS OF THE NATIONAL GRID  
SYSTEM AT THE SECRETARIAT OF ENERGY. FOR THIS REASON,  
THE DATE THIS ASPECT OF THE WORK IS LIKELY TO BE  
TENDERED IS UNCERTAIN.

9. IFI LOANS: THE EBY'S NEGOTIATIONS WITH THE IDB  
AND THE WORLD BANK FOR THEIR FINANCIAL ASSISTANCE ON  
THE CIVIL WORKS PORTION OF PROJECT ARE CRITICAL TO  
THE ENTIRE PROJECT AND APPEAR TO BE PROGRESSING WELL.  
LAST BANK MISSION LEFT HERE IS APRIL AND SEEMS  
SATISFIED AT THE PROGRESS MADE BY THE EBY IN MEETING

CERTAIN CONDITIONS PRECEDENT (SEE BELOW). THE NEXT  
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AND FINAL BANK MISSION IS EXPECTED IN JULY (THEY ARE CURRENTLY DUE TO ARRIVE ON JULY 10). ASSUMING THAT ALL GOES WELL, AT THAT TIME THEY WILL RETURN TO WASHINGTON, MAKE THEIR REPORTS TO THEIR RESPECTIVE BOARDS, AND A VOTE ON THE LOANS BY BOTH BANKS CAN BE EXPECTED IN THE NOVEMBER-DECEMBER, 1978 TIME FRAME.

10. ONE OF THE WORLD BANK'S CONDITIONS PRECEDENT TO THE APPROVAL OF THE FUNDS HAS BEEN THE DEFINITION AND RESOLUTION OF THE ECOLOGICAL PROBLEMS CREATED BY THE DAM. THESE PROBLEMS HAVE RANGED FROM THE CREATION OF A SCHISTOSOMIASIS AREA AROUND THE LAKE TO THE PROBLEM OF PRESERVING CERTAIN SPECIES OF FAUNA ON YACYRETA ISLAND, WHICH WILL, OF COURSE, BE INUNDATED. ANOTHER OF THE BANK'S CONCERNS HAS BEEN SOCIOLOGICAL, RELATED TO THE PROBLEMS OF RELOCATION OF THE POPULATION OF ENCARNACION AND POSADAS, A TOTAL OF SOME 35,000 PEOPLE END UNCLASSIFIED BEGIN LIMITED OFFICIAL USE

11. THE MOST IMPORTANT CONCERN OF THE BANK HAS BEEN FINANCIAL. THE BANK HAS BEEN PARTICULARLY DISTRESSED AT FINDING THAT THE STANDARS OF PROFITABILITY THAT IS SET FOR SEGBA (THE GOA'S BUENOS AIRES POWER UTILITY) UPON MAKING THE LAST LOAN TO SEGBA ARE NOT BEING MET BY THAT FIRM; THEY ARE ACCORDINGLY WORRIED THAT UTILITY RATES CHARGED BY YACYRETA WILL BE MANIPULATED FOR POLITICAL PURPOSES AND WILL NOT RENDER THE PROJECT PROFITABLE IN THE END. NEVERTHELESS, ACCORDING TO SOURCES IN THE EBY, THE GOA SECRETARIAT OF ENERGY HAS BEEN REASONABLY SUCCESSFUL IN ALLAYING FEARS ON THIS SCORE. END LIMITED OFFICAL USE  
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